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The House of Purpose and Empowerment, Inc.

FINANCIAL STATEMENTS

For the year ended December 31, 2010

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date APR 04 2012

**JERROLD A. BLACK
CERTIFIED PUBLIC ACCOUNTANTS**

THE HOUSE OF PURPOSE AND EMPOWERMENT, INC

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INDEPENDENT AUDITORS' REPORT

To The Board of Directors
The House of Purpose and Empowerment, Inc
Baton Rouge, Louisiana

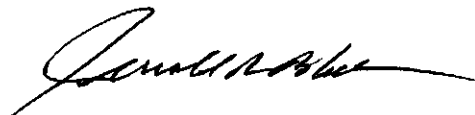
We have audited the accompanying statement of financial position of The House of Purpose and Empowerment, Inc (a nonprofit organization) (the "Organization") as of December 31, 2010, and the related statement of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The House of Purpose and Empowerment, Inc. as of December 31, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 2012, on our consideration of The House of Purpose and Empowerment, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

February 27, 2012



THE HOUSE OF PURPOSE AND EMPOWERMENT, INC
STATEMENT OF FINANCIAL POSITION
December 31, 2010

ASSETS

| | |
|---------------------|-------------------|
| Assets | |
| Operating cash | \$ 90,568 |
| Accounts receivable | 21,262 |
| Deposits | <u>2,500</u> |
| Total assets | <u>\$ 114,330</u> |

LIABILITIES AND NET ASSETS

| | |
|--|-------------------|
| Liabilities | |
| Due to Louisiana Department of Education | \$ 9,593 |
| Accrued expenses | 37,852 |
| Loan from director | 36,839 |
| Payroll tax liabilities | <u>21,733</u> |
| Total liabilities | <u>106,017</u> |
| Net assets | |
| Temporarily restricted | - |
| Unrestricted | <u>8,313</u> |
| Total net assets | <u>8,313</u> |
| Total liabilities and net assets | <u>\$ 114,330</u> |

See accompanying notes to financial statements

THE HOUSE OF PURPOSE AND EMPOWERMENT, INC
STATEMENT OF ACTIVITIES
For the year ended December 31, 2010

| | |
|---|-----------------|
| Revenues, gains and other support | |
| Unrestricted revenues, gains and other support: | |
| In kind revenue | \$ 628 |
| Grant revenue | <u>312,530</u> |
| Total unrestricted revenues, gains and other support | <u>313,158</u> |
| Expenses | |
| Program activities - 21st CCLC | 240,174 |
| Program activities - SES | <u>57,119</u> |
| Total program expenses | 297,293 |
| Support services | |
| Management and general | <u>5,110</u> |
| Total expenses | <u>302,403</u> |
| Increase in net assets | <u>10,755</u> |
| Net assets, beginning of year | (6,701) |
| Prior period adjustment | <u>4,259</u> |
| Net assets, end of year | <u>\$ 8,313</u> |

See accompanying notes to financial statements

THE HOUSE OF PURPOSE AND EMPOWERMENT, INC
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 2010

| | <u>Program Services</u> | | <u>Support Services</u> | |
|-----------------------|-------------------------|-------------------|-------------------------|-------------------|
| | <u>Program</u> | <u>Program</u> | <u>Management</u> | <u>Total</u> |
| | <u>Activities</u> | <u>Activities</u> | <u>and General</u> | |
| | <u>21st CCLC</u> | <u>SES</u> | | |
| Expenses | | | | |
| Professional services | \$ 99,833 | \$ 5,170 | \$ - | \$ 105,003 |
| Salaries and wages | 65,651 | 26,856 | - | 92,507 |
| Program supplies | 56,403 | 382 | 3,018 | 59,803 |
| Office rent | 10,000 | 4,200 | - | 14,200 |
| Insurance | - | 10,824 | - | 10,824 |
| Legal and accounting | - | 5,525 | - | 5,525 |
| Payroll tax expense | 5,740 | 2,244 | - | 7,984 |
| Supplies | 572 | - | 1,497 | 2,069 |
| Other rental | - | 1,008 | - | 1,008 |
| Food | 139 | - | 595 | 734 |
| In-Kind | 628 | - | - | 628 |
| Other costs | - | 585 | - | 585 |
| Utilities | 885 | - | - | 885 |
| Printing and copying | 126 | 325 | - | 451 |
| Postage | 137 | - | - | 137 |
| Bank charges | 60 | - | - | 60 |
| | <u>60</u> | <u>-</u> | <u>-</u> | <u>60</u> |
| Total expenses | <u>\$ 240,174</u> | <u>\$ 57,119</u> | <u>\$ 5,110</u> | <u>\$ 302,403</u> |

See accompanying notes to financial statements

THE HOUSE OF PURPOSE AND EMPOWERMENT, INC
STATEMENT OF CASH FLOWS
For the year ended December 31, 2010

| | |
|--|------------------|
| Cash flows from operating activities | |
| Increase in net assets. Current year | \$ 10,755 |
| Increase in net assets Prior year | 4,259 |
| Adjustments to reconcile changes in net assets to cash provided by operating activities | |
| (Increase) Decrease in operating assets | |
| Accounts receivable | (21,262) |
| Other assets | (2,500) |
| (Decrease) Increase in operating liabilities | |
| Accrued Expenses | 37,852 |
| Payroll tax expense | 21,733 |
| Other liabilities | <u>9,593</u> |
| Net cash provided by operating activities | <u>60,430</u> |
| Cash flows from financing activities. | |
| Loan from director, net of repayments | <u>19,951</u> |
| Net cash provided in financing activities | <u>19,951</u> |
| Net increase in cash and cash equivalents | 80,381 |
| Cash and cash equivalents, beginning of year | <u>10,187</u> |
| Cash and cash equivalents, end of year | <u>\$ 90,568</u> |

See accompanying notes to financial statements

THE HOUSE OF PURPOSE AND EMPOWERMENT, INC.

Notes to Financial Statements

December 31, 2010

1) NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

a) Nature of Activities

The House of Purpose and Empowerment, Inc (the "Organization"), is a private, nonprofit organization dedicated to building and strengthening low social economic communities through educational projects for children, youth, women and men of all ages, abilities, races, and religions. The Organization offers empowerment programs and activities to promote leadership and community development. In June 2010, the Organization was awarded the 21st Century Community Learning Center grant from the Louisiana Department of Education. The Organization's goal through this program is to provide academic enrichment opportunities for all school age children in the East Baton Rouge Parish School District by providing after school tutorial and summer enrichment services.

b) Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred.

c) Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) in its Accounting Standards Codification (ASC 958), "Financial Statements of Not-for-Profit Organizations." Under FASB ASC 958, the Organization is required to report information regarding its financial position and activities according to three classes of net assets as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations. Some unrestricted net assets may be designated by the Board for specific purposes.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met by actions of the organization, and/or by the passage of time.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the organization. Generally, donors permit all or part of the income earned on these assets to be used for general or specific purposes.

d) Contributions

In accordance with (FASB ASC 958) "Accounting for Contributions Received and Contributions Made", contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor-imposed restrictions.

e) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

THE HOUSE OF PURPOSE AND EMPOWERMENT, INC

Notes to Financial Statements, (continued)

December 31, 2010

f) Cash and Cash Equivalents

For reporting purposes, the Organization considers all highly liquid investments available for current use with an original maturity of three months or less to be cash equivalents

g) Income Taxes

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as a public charity

h) Concentration of Risk

Source of funding

The Organization receives all of its support from two grants with the Louisiana Department of Education. The 21st Century Community Learning Center Program (21st CCLC) provided 77% of the support and the Supplemental Educational Services (SES) program provided the additional 23% of support

i) Functional Expense Reporting

The cost of providing program and support services has been summarized on a functional basis in the Statement of Activities and Statement of Functional Expenses. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization

j) Subsequent Events

The Organization's management has evaluated subsequent events through February 27, 2012, which is the date the financial statements were available to be issued. See Note 9

2) CASH AND CASH EQUIVALENTS

Cash and cash equivalents at December 31, 2010, consisted of the following

| | |
|--|------------------|
| Whitney operating bank account (21 st CCLC) | \$ 83,164 |
| Regions operating bank account (SES) | <u>7,404</u> |
| Total cash and cash equivalents | <u>\$ 90,568</u> |

Bank accounts on deposit with commercial banks were insured by the Federal Deposit Insurance Corporation (FDIC). On October 14, 2008, the FDIC announced its temporary "Transaction Account Guarantee Program" (TAGP), which provides full coverage for non-interest bearing transaction deposits at the FDIC insured banks. The unlimited insurance coverage is temporary and was extended until December 31, 2013

THE HOUSE OF PURPOSE AND EMPOWERMENT, INC

Notes to Financial Statements, (continued)

December 31, 2010

3) ACCOUNTS RECEIVABLE

Accounts receivable at December 31, 2010, consist of the following.

| | |
|---------------------------------------|------------------|
| East Baton Rouge Parish School System | \$ 17,533 |
| Louisiana Department of Education | <u>3,729</u> |
| Total | <u>\$ 21,262</u> |

Management of the Organization has assessed all receivables at December 31, 2010, as fully collectible, therefore, no allowance for doubtful accounts has been recorded

4) PROGRAM INCOME

The Organization received funds from the East Baton Rouge Parish School System for the Supplemental Educational Services program in the amount of \$71,728 for the year ended December 31, 2010

The Organization received funds from the Louisiana Department of Education for the 21st Century Community Learning Center (21st CCLC) program in the amount of \$240,802 for the year ended December 31, 2010 This program has a three year grant period beginning on June 1, 2010

The total amount of program income received for the year ended December 31, 2010 was \$312,530

5) COMMITMENTS AND CONTINGENCIES

The Organization entered into a lease agreement with E&A Properties on October 1, 2008 to lease office space at 4811 Harding Boulevard, Baton Rouge, LA 70811 for one year The annual lease payment is \$4,200, payable in equal installments of \$350 in advance on the first day of each month The option to renew the lease for an additional 12 months was exercised

The Organization entered into a lease agreement with AST Kelwood II on September 1, 2010 to lease a community learning center at 8427 Kelwood Avenue, Baton Rouge, LA 70806 for one year Monthly payments of \$2,500 are due before the 5th day of each month The lease includes an automatic renewal clause. If either party intends to terminate the lease on its expiration date of August 31, 2011, said party must provide written notice within 60 days Failure of either party to provide written notice of termination will automatically renew the lease for six months

The lease expense for the year ended December 31, 2010 was \$14,200

6) RELATED PARTY TRANSACTIONS

Periodically, the Executive Director, Dr. Stella P. Righteous, advanced funds to the Organization in order to fund operations The balance of these advances at December 31, 2010 amounted to \$36,839

THE HOUSE OF PURPOSE AND EMPOWERMENT, INC

Notes to Financial Statements, (continued)

December 31, 2010

7) PRIOR PERIOD ADJUSTMENTS

The Organization voided checks in the current year that were written in a prior year which resulted in an increase in prior year net assets of \$2,731

The Organization received deposits of \$3,075 in the current year that should have been reported as revenue in the prior year. Therefore, the Organization reclassified the deposits as revenue in the prior year resulting in an increase in prior year net assets of \$3,075

The Organization paid salaries and wages for December 2009 on January 15, 2010. The expense was not reported in 2009 so the Organization reclassified the payments as expense in the prior year resulting in a decrease in prior year net assets of \$1,547

As a result of the voided checks and reclassification of revenue and payroll expense, the organization adjusted the prior year unrestricted net assets by \$4,259

8) IN KIND CONTRIBUTIONS AND COSTS RECOGNIZED

New Beginnings Ministries of Baton Rouge provided in-kind services in the form of a copy machine for the period October through December 2010. The lease payments for the copy machine paid by New Beginnings Ministries of Baton Rouge were \$157 per month. The Organization reported in-kind of \$628 for the year ended December 31, 2010

9) SUBSEQUENT EVENT

In February 2011, the Louisiana Department of Education (LDOE) reviewed the Organization's policies and procedures as it relates to the 21st CCLC grant. The Organization responded to the issues found by LDOE in June 2011 with a Corrective Action Plan. LDOE accepted the Corrective Action Plan and has continued to fund the grant. The final grant period of June 2012 through May 2013 was recently approved by LDOE

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
The House of Purpose and Empowerment, Inc.
Baton Rouge, Louisiana

We have audited the financial statements of The House of Purpose and Empowerment, Inc. (a not-for-profit organization) (the "Organization") as of and for the year ended December 31, 2010, and have issued our report thereon dated February 27, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Organization's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We identified certain deficiencies in internal control over financial reporting described in the accompanying schedule of findings and questioned costs as items 2010-02, 2010-03, 2010-04, 2010-05, and 2010-08.

To the Board of Directors
The House of Purpose and Empowerment, Inc
Baton Rouge, Louisiana

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The result of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2010-01, 2010-06, 2010-07, and 2010-09.

This report is intended solely for the information and use of management, the Board of Directors, the Louisiana Legislative Auditor, and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document, and its distribution is not limited.

February 27, 2012



THE HOUSE OF PURPOSE AND EMPOWERMENT, INC.

Schedule of Findings and Questioned Costs

December 31, 2010

2010-01 – Submission of Audit Report

Criteria

LSA-RS 24 513 (A)(5)(I) requires audit reports to be completed and submitted to the State of Louisiana Legislative Auditor within six months after year end

Condition

The December 31, 2010 audited financial statements were not completed and submitted to the Louisiana Legislative Auditor within six months after year end, which was June 30, 2011. An extension was granted until February 15, 2012 but as a result of unforeseen circumstances, the audited financial statements were not submitted by the extension date.

Cause

Inadequate personnel resources and expertise contributed to the lack of performing necessary procedures for timely preparation of the audited financial statements. Also, the executive director was not aware that an audit was required until notified by the Louisiana Department of Education. The extended due date was not met due to delay in locating evidential matter needed to complete audit.

Effect

Possible violation of state law and grant compliance requirements could lead to termination of funding due to noncompliance with the audit requirements.

Recommendation

We recommend that management establish policies and procedures to ensure that audited financial statements are prepared and submitted to the Louisiana Legislative Auditors within six months of year end. The Organization should contact the auditor shortly after year end to set a date for the audit to begin.

2010-02 – Preparation of Financial Statements

Criteria

The Organization should have the ability to prepare its own financial statements in accordance with generally accepted accounting principles (GAAP).

Condition

Financial statements and required disclosures were not prepared by the Organization.

THE HOUSE OF PURPOSE AND EMPOWERMENT, INC.

Schedule of Findings and Questioned Costs

December 31, 2010

2010-02 – Preparation of Financial Statements (continued)

Cause

Management personnel's lack of accounting knowledge led to the inability to produce financial statements in accordance with GAAP and the inability to hire or contract with a competent accountant. The executive director hired several different accountants over a short period of time, each producing a different set of accounting records maintained on different systems. The auditors were unable to get any information from the accountant that was contracted for the period January through June 2010

Effect

The auditors had to consolidate the accounting records in order to create a cohesive set of books for the Organization. The auditors also prepared a significant number of adjusting journal entries to reconcile various accounts

Recommendation

We recommend that management contract with a qualified bookkeeper to record transactions on an accrual basis and make required adjustments to reconcile accounts monthly. Policies and procedures should also be put into place to assure financial statements are accurate, complete, and prepared on a timely basis

2010-03 – Internal Controls over Financial Reporting

Criteria

Internal controls over financial reporting are policies and procedures that exist to assure an entity's ability to initiate, record, process, and report financial information and that the financial statements are prepared in accordance in GAAP

Condition

Management has not instituted adequate internal controls over financial reporting in order to assure financial statements are prepared in accordance with GAAP

Cause

Management personnel's lack of internal control and accounting knowledge led to the lack of internal controls over financial reporting. There were no accounting policies and procedures in place to assure transactions were being recorded correctly and on a timely basis

Effect

Management could not assess the Organization's financial viability on a timely basis. Also, an extensive amount of time was required by the auditors to accumulate and consolidate information required to perform the audit in accordance with generally accepted auditing standards (GAAS)

THE HOUSE OF PURPOSE AND EMPOWERMENT, INC.

Schedule of Findings and Questioned Costs

December 31, 2010

2010-03 – Internal Controls over Financial Reporting (continued)

Recommendation

We recommend that management hire appropriate staff or contract with an appropriate person that is knowledgeable in internal controls over financial reporting. Then establish accounting policies and procedures to implement internal controls.

2010-04 – Delinquent Filing of Information Return

Criteria

An organization that is exempt from income tax must file Form 990 with the Internal Revenue Service by the 15th day of the 5th month following the organization's year end.

Condition

The Organization has not filed Form 990 for the year ended December 31, 2010.

Cause

Management relied on accountants that were hired to prepare required documents for filing with regulatory agencies. Management's lack of knowledge and lack of follow up with the accountants to ensure that required forms were filed led to the non-filing of the 2010 Form 990.

Effect

Possible revocation of tax exempt status and/or penalty fee for late filing of information return by the Internal Revenue Service.

Recommendation

We recommend that management hire a competent accountant to prepare Form 990 for year end December 31, 2010 and to follow up with the accountant to ensure the form was filed.

THE HOUSE OF PURPOSE AND EMPOWERMENT, INC.

Schedule of Findings and Questioned Costs

December 31, 2010

2010-05 – Delinquent Filing and Payment of Payroll Tax Returns and Liabilities

Criteria

Payroll tax returns must be submitted and payroll tax liabilities must be paid on a timely basis in accordance with federal and state rules and regulations

Condition

Payroll tax returns were not filed and payroll tax liabilities were not paid. We could not determine if Form 941 or L-1s were filed for any quarter in 2010. Total payroll tax liability at December 31, 2010 was \$21,733. It appears that Form 941 taxes were paid for the first and second quarters of 2010 but not paid to date for the third and fourth quarters. The amount withheld for Louisiana income tax in 2010 was paid in October 2011 in response to receipt of a delinquent notice from the Louisiana Department of Revenue.

Cause

Management relied on accountants that were hired to prepare required payroll tax returns and remit payroll tax payments on a timely basis. Management's lack of follow up with the accountants to ensure the required forms were filed led to the delinquent and non-filing of payroll tax returns and payment of payroll tax liabilities.

Effect

Penalty and interest for late filing and payment will be assessed by federal and state agencies.

Recommendation

We recommend that management follow up with the accountant preparing payroll tax returns to verify they are submitted and paid on a timely basis.

2010-06 – Grant Reimbursement Requests

Criteria

Appropriate accounting policies and procedures should exist to ensure that grant reimbursement requests are submitted in accordance with specific grant requirements.

Condition

The grant reimbursement requests included costs that were unallowable under the grant and expenditures for payroll that had not yet been paid. The Organization also included amounts on the request for payroll that did not match the payroll register.

THE HOUSE OF PURPOSE AND EMPOWERMENT, INC.

Schedule of Findings and Questioned Costs

December 31, 2010

2010-06 – Grant Reimbursement Requests (continued)

Cause

Management was not aware of the costs that were unallowable and also was not aware of the requirement to expend funds in advance of reimbursement. Lack of adequate personnel to prepare the grant reimbursement requests and lack of oversight from management also contributed to the errors on the requests.

Effect

The Organization was required to pay back the unallowable costs to the Louisiana Department of Education. Non-compliance with grant requirements could lead to termination of funding.

Recommendation

We recommend that management hire competent personnel to prepare the grant reimbursement request and that management review the requests before submission. Management should also determine whether or not expenditure is allowable prior to expending the funds.

2010-07 – Open Meetings

Criteria

Louisiana R.S. 42:1-42:13 (open meetings law) requires organizations receiving public funds to open their meetings to the public for comment.

Condition

Boards meetings were not advertised and open to the public for comment.

Cause

Management was unaware of the requirement to advertise and open board meetings to the public for comment.

Effect

The community was not given an opportunity to attend and comment on matters affecting the use of public funds.

Recommendation

We recommend that management place an ad in the local newspaper, each time a board meeting is held, to inform the community and give the public a chance to comment.

THE HOUSE OF PURPOSE AND EMPOWERMENT, INC.

Schedule of Findings and Questioned Costs

December 31, 2010

2010-08– In-Kind Contributions

Criteria

In-Kind contributions should be recorded in the accounting records and valued at the time the contribution takes place

Condition

In-Kind contributions were not recorded or valued.

Cause

Management was unaware of the requirement to record and value in-kind contributions

Effect

There were other in-kind contributions made during the year that were not captured and not recorded in the accounting records

Recommendation

We recommend that management establish policies and procedures to ensure that in-kind contributions are recorded and valued at the time of the contribution

2010-09– Comparison of Actual to Budgeted Expenditures

Criteria

Actual expenditures should be compared to budgeted expenditures on a timely basis to ensure expenditures do not exceed budgeted amounts

Condition

Management did not compare actual expenditures to budgeted expenditures on a timely basis

Cause

Management was not aware of the requirement to compare actual expenditures to budgeted expenditures. Also, lack of adequate policies and procedures to record financial information precluded management from being able to compare actual to budgeted expenditures

Effect

Violation of grant requirements and costs overruns could lead to non-reimbursement of expenditures and possible termination of funding

THE HOUSE OF PURPOSE AND EMPOWERMENT, INC.

Schedule of Findings and Questioned Costs

December 31, 2010

2010-09– Comparison of Actual to Budgeted Expenditures (continued)

Recommendation

We recommend that management hire competent personnel and institute internal controls to ensure that requirements with grant restrictions are complied with

THE HOUSE OF PURPOSE AND EMPLOWERMENT, INC.

Management's Corrective Action Plan

December 31, 2010

2010-01 – Submission of Audit Report

Now that the executive director is aware of the audit requirement, she intends to contract with an auditor and prepare and submit the audited financial statements within six months of year end

2010-02 – Preparation of Financial Statements

Management has contracted with a competent accountant to assist in preparation of financial statements in accordance with GAAP. The executive director will take a more active role in overseeing that accounting function. An accounting policies and procedures manual has been prepared and distributed.

2010-03 – Internal Controls over Financial Reporting

Management has hired a competent accountant and has prepared an accounting policies and procedures manual in order to implement effective internal controls over financial reporting.

2010-04 – Delinquent Filing of Information Return

Management has contracted with the auditors to prepare the Form 990 for the year ended December 31, 2010.

2010-05 – Delinquent Filing and Payment of Payroll Tax Returns and Liabilities

Management has contracted with a competent accountant to prepare payroll tax returns and pay payroll tax liabilities on a timely basis. Also, the executive director is committed to attending training sessions to become abreast on payroll tax requirements.

2010-06 – Grant Reimbursement Requests

The executive director prepares the grant reimbursement requests and verifies that all costs are allowable under the grant.

2010-07 – Open Meetings

Prior to each board meeting, management will place an ad in the paper informing the public of the meeting.

THE HOUSE OF PURPOSE AND EMPLOWERMENT, INC.

Management's Corrective Action Plan

December 31, 2010

2010-08– In-Kind Contributions

Management has implemented a policy to record in-kind contributions at the time of the contribution

2010-09– Comparison of Actual Expenditures to Budgeted Expenditures

Management has implemented a policy to compare actual expenditures to budgeted expenditures. The project director will meet with the accountant on a monthly basis on budget deviations to ensure that funds are being spent properly. When needed, a budget revision will be forwarded to the Louisiana Department of Education for approval.